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SUBJECT: LEE MYUNG-BAK DREAMS UP A CANAL PROJECT

11. (SBU) SUMMARY: The Pan-Korea Grand Waterway is a key campaign pledge of ROK's leading presidential hopeful, Lee Myung-bak of the opposition Grand National Party (GNP). Lee is the frontrunner in the poll with 37.8 percent of the public supporting him in a May 30 poll by Joongang Daily. (His closest rival, GNP's Park Geun-hye scored 25.5 percent support) The Waterway is an ambitious cross-country canal project that aims to build 3,100 kilometers of canals and is estimated to cost 14.1 trillion won. On May 21, his camp released the blueprint of the cross-country canal project which became the focus of the televised debate on May 29 among the five contenders for the GNP candidacy. The project is in the center of controversy as Park Geun-hye and Lee's other political rivals continue to bring up the issue to attack Lee even after the debate. Critics, including not only Lee's rivals but also many academics, are skeptical about the project's feasibility and economic efficiency, and express concerns about possible negative impact to the environment, notably the water supply. END SUMMARY.

BLUEPRINT FOR THE PAN-KOREA GRAND WATERWAY

12. (U) Lee Myung-bak's advisory group on the canal project, the Pan-Korea Grand Waterway team, unveiled the blueprint for the project at a symposium on May 21. The Pan-Korea Grand Waterway would be 3,100 kilometers long in total and consist of seventeen routes, including five routes in North Korea. The longest canal would be "The Canal" (Gyeongbu Canal, meaning Seoul-Busan Canal) which would link the Han River in Seoul to the Nakdong River in Busan, a port city at the southeastern end of the peninsula. In the southwestern part of the Korean peninsula, the Honam Canal would connect the Geum River and the Youngsan River. Gyeongbu Canal and Honam Canal would converge and eventually be connected to a canal in North Korea. Construction of the Gyeongbu Canal alone will take four years and cost 14.1 trillion won (approximately USD 15.16 billion).

13. (U) Specific plans for routes in the North and Honam Canal have not been finalized yet. Thus, critics' attention has centered on "The Canal" so far. At the Grand National Party (GNP)'s first of four policy debates on May 29, the contenders for the GNP candidacy attacked the feasibility of the project, turning the debate into a virtual hearing on the canal. At the debate Lee Myung-bak, Park Geun-hye, Won Hee-ryong, Hong Joon-pyo and Go Jin-hwa presented and debated their economic policy platforms, all four candidates besides Lee criticized and questioned Lee's project. Following the

debate, Park's two close aides, lawmakers Yoo Seung-min and Lee Hye-hoo hosted a press conference at which they released a public questionnaire, criticizing and asking follow-up questions about the canal project. There also has been lively discussion about the canal among academics and NGOs.

CANAL SHIPPING: CHEAPER THAN OTHER MODES?

14. (U) The most controversial issue about the canal project is its economic efficiency. Press reported that Jo Won-cheol, a professor at Yonsei University and a member of the Pan-Korea Grand Waterway team, said the ROK needs to diversify its transportation means in order to cope with increasing freight traffic. Jo argued that the volume of freight shipped in containers is expected to jump by two or three times by 2020, citing statistics from the Korean Ministry of Maritime Affairs and Fisheries. He claimed that: canal shipping would reduce South Korea's heavy reliance on road transport, the dominant mode of transport; canal shipping is cheaper than road and coastal transport; and it is more reliable than coastal shipping. Eighty percent of the freight shipped in containers via roads between Seoul and Busan could be shipped via the canal, Lee's camp asserted. Additionally, the project would develop the rural, landlocked areas of Korea, help the tourism industry, and create jobs. Lee noted during the debate that the project would create 300,000 jobs.

15. (U) However, critics are doubtful of the viability of the shift from road transport to canal shipping. Experts say that canal shipping requires more time and procedures than road shipping. Some experts note that coastal shipping is also more efficient than canal shipping as a vessel between Incheon (a port city just west of Seoul) and Busan carries more cargo and saves more time than a barge. It will take nearly 40 hours by the canal from Seoul to Busan (NOTE: it takes approximately three hours by bullet train and four hours by car from Seoul to Busan. END NOTE). Critics claim that the canal project is outdated, citing the decline of the canal shipping industry in the U.S. and Europe. Some pundits were also doubtful about the canals creating jobs in the long run.

16. (U) At a press conference on May 30, Park Geun-hye's camp claimed that the benefit-cost ratio of the canal project was between 0.05 and 0.28, which means an investment of 100 Korean Won would return between 5 and 29 Korean Won. They were citing figures from a study done by a professor in economics at Hanyang University (NOTE: it is uncertain whether he is in Park's camp. END NOTE). Lee's camp refuted the argument, and one of his advisors argued the ratio would be 2.3 while another aide argued it would be between 1.2 and 1.5.

THE CANAL: AN ENVIRONMENTAL DISASTER?

17. (U) Critics expressed concerns about the project's negative impact on environment. They argued that weirs (dams to raise the water level of a stream or river or divert its flow) and docks will keep water stagnant and deteriorate water quality, and that barges may spill hazardous materials into the canal or pollute the air. This would threaten the supply of drinkable water to 31 million Koreans relying on the Han and the Nakdong River for their water supply, they say. Lee's camp argued the canal project would not endanger the country's water supply as the canals would have double waterways so barges could use a waterway separated from the rivers supplying drinking waters.

MOTIVES BEHIND THE CANAL PROJECT

18. (U) Lee is hoping to project the image of Cheonggye Stream into the canal project and reaffirm his image as a as a policymaker with economic proficiency. As Seoul Mayor in 2005, he restored Cheonggye Stream to success amid fierce opposition. The stream has been visited by over 10 million people and has revived the center of Seoul. The 5.8 kilometer artificial stream has had significant cultural and economic effect in Seoul's city center. This achievement greatly helped his rise to national prominence and top presidential candidate. His successful career as the CEO of Hyundai Construction and Engineering before entering politics also reinforced this image.

19. (U) Some pundits argue that Lee proposed "The Canal" plan to gain support from voters from the southwest Youngnam region. According to one observer, they welcome Lee's idea mainly because of the likely jump in real estate prices in the region which will result in gains to individuals' investment. Skeptics of the Honam Canal also see the idea as Lee's effort to garner support from people in the Honam region in ROK's southeast. The region is considered crucial in winning the presidential election.

COMMENT

110. (U) The canal project is a tangible, symbolic idea voters can easily envision and understand Lee's economic vision. Add Lee's success with Cheonggye Stream project and many people feel "The Canal" project is possible. However, feasibility of the project is questionable and turning out to be a nice target for Lee's political opponents. Although the overall approval rating for Lee remained intact at around 37.8 - 43.4 percent after the debate, nearly 30 percent of the surveyed responded that Park had performed well, in contrast to the 14.4 - 24 percent for Lee. Moreover, a poll done before and after the debate shows a significant decrease in the percentage of supporters (from 46.3 percent to 33.8 percent) among the respondents. Also not helping the
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credibility of the project is President Roh's pointed remark over the weekend that "nobody in their right mind" would invest in this project.
VERSHBOW